

## Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 EUR-12 AID-05 CIAE-00 COME-00 EB-08  
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FM AMEMBASSY CAIRO  
TO SECSTATE WASHDC 9389  
INFO AMEMBASSY BONN

C O N F I D E N T I A L CAIRO 15260

E.O. 11652: GDS  
TAGS: EFIN, EGEN, EG  
SUBJECT: FRG OFFICIAL COMMENTS ON MOELLER ECONOMIC REPORT

REF: CAIRO 15197

1. SUMMARY: MEMBER OF FRG STUDY TEAM TELLS US THEIR PRINCIPAL RECOMMENDATIONS CENTER ON NEED FOR MODIFICATION OF GOVERNMENT STRUCTURE IN DEVELOPMENT FIELD. SUPPLEMENT TO MOELLER REPORT PROPOSES ESTABLISHMENT OF POLICY-MAKING UNITS CENTERED ON PRESIDENCY, AND REPORT ITSELF TAKES NEW DEPARTURE OF SUGGESTING MILITARY INVOLVEMENT IN DEVELOPMENT ACTIVITIES. END SUMMARY.

2. DR. KLAUS BILLERBECK, DIRECTOR OF GERMAN DEVELOPMENT INSTITUTE, BERLIN, VISITED AMBASSADOR SEPT 13 FOR LONG TALK ON REPORT REPAVED FOR PRESIDENT SADAT UNDER DIRECTION OF FORMER FRG MINFIN MOELLER (REFTEL). BILLERBECK WAS MEMBER OF FOUR-MAN TEAM WHICH ASSISTED IN PREPARATION OF STUDY OF EGYPTIAN ECONOMY AND FORMULATION OF RECOMMENDATIONS FOR NEEDED ECONOMIC CHANGES. BILLERBECK SAID ONLY THREE COPIES OF MOELLER REPORT ARE IN EXISTENCE; ONE COPY HE WILL KEEP AT DEVELOPMENT INSTITUTE, ANOTHER IS IN POSSESSION OF MOELLER AND THIRD WAS PRESENTED TO PRESIDENT SADAT, WHO HAS SINCE PASSED IT

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FOR COMMENT TO MINPLANNING ABDEL MEGUID.

3. FRG TEAM, ACCORDING BILLERBECK, APPROACHED SOLUTION TO GENERAL ECONOMIC ISSUES IN MANNER AND FORM SIMILAR TO IMF AND IBRD STUDIES. TEAM'S CONCLUSIONS ON ECONOMIC QUESTIONS WERE MORE OR LESS SAME AS THOSE OF IMF/IBRD EXPERTS. MOELLER GROUP, HOWEVER, SOUGHT TO INJECT

DIFFERENT APPROACH ON CERTAIN ISSUES, RATHER THAN FOLLOW WELL-TROD PATH OF OTHER INTERNATIONAL ADVISERS, IN THAT THREE FUNDAMENTAL NON-ECONOMIC PROBLEMS WERE DISCUSSED IN THEIR STUDY. FRB OFFICIAL DEFINED THESE AS (A) REFORM OF GOVERNMENT IN GENERAL, (B) RESTRUCTURE OF GOVERNMENTAL ADMINISTRATIVE UNITS THROUGHOUT THE COUNTRY AND (C) USE OF MILITARY FOR DEVELOPMENT PURPOSES. (SECTION ON CIVIC ACTION ROLE FORM MILITARY IS BRIEF, BUT INCLUDES SUGGESTIONS ON INVOLVEMENT IN ROAD BUILDING, CANAL CONSTRUCTION, EDUCATION IN VILLAGES, ETC. FRG OFFICIAL SAID TEAM STARTED FROM PREMISE THAT GOE MILITARY COSTS WOULD NOT BE REDUCED ANYTIME SOON.)

4. DELIBERATE CHOICE OF MOELLER GROUP TO SEEK NON-ECONOMIC AREAS FOR RECOMMENDATIONS LED THEM TO PREPARE AND PRESENT TO PRESIDENT SADAT A 12-PAGE SUPPLEMENT IN ENGLISH ON RECOMMENDED FRAMEWORK FOR DECISION-MAKING BODY IN DEVELOPMENT FIELD. SUPPLEMENT, WHICH BILLERBECK SAID IS SENSITIVE DOCUMENT WHICH HE EXPECTS GOE TO HOLD IN CLOSE CONFIDENCE, PROPOSES FORMATION OF DEVELOPMENT BOARD (OR COMMITTEE) IN THE PRESIDENCY AS CENTRAL ECONOMIC POLICY AGENCY OF GOE AND, MORE IMPORTANTLY, WHICH WOULD PREPARE DECISIONS FOR PRESIDENTIAL APPROVAL AND ASSURE PROPER IMPLEMENTATION BY FOLLOW-UP PROCEDURES. BOARD WOULD HAVE TECHNICAL STAFF INCLUDING INTERNATIONAL EXPERTS ON DEVELOPMENT. LOWER RUNGS OF HIERARCHY, FROM PRIME

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MINISTER'S OFFICE THROUGH MINISTRIES DOWN TO INDIVIDUAL ORGANIZATIONS AND OFFICES, WOULD HAVE SIMILAR STAFF STRUCTURE WITH OFFICIALS REPORTING AND BEING RESPONSIVE TO ORGANIZATION AT PRESIDENCY LEVEL. BILLERBECK SAID 200-250 PERSONS WOULD BE INVOLVED IN STAFFING OF PROPOSED NEW ADMINISTRATIVE FRAMEWORK DESIGNED TO INSURE POLICY FORMULATION AND IMPLEMENTATION IN BROAD AREA OF DEVELOPMENT-RELATED ACTIVITIES. MINISTRY OF PLANNING, AMONG OTHER GOE AGENCIES (NOT SPECIFIED), WOULD BE ABOLISHED UNDER NEW DEVELOPMENT STRUCTURE.

5. FRG OFFICIAL ACKNOWLEDGED POSSIBLE DRAWBACKS TO PROPOSAL, BUT STRESSED TEAM'S VIEW THAT POWER IS TO BE FOUND ONLY AT PRESIDENT'S LEVEL AND THEREFORE THAT ORDERS MUST EMANATE FROM THAT OFFICE TO CAUSE NECESSARY IMPACT ON SPRAWLING BUREAUCRACY. HE SAID SPECIFIC SUGGESTION ON GOVERNMENT BOARD AND SUBORDINATE STAFFS IS INCLUDED ONLY IN BRIEF SUPPLEMENT PRESENTED ONLY TO PRESIDENT. BODY OF MAIN MOELLER REPORT DISCUSSES LACK OF EFFECTIVE ADMINISTRATION PRIMARILY IN SECTORAL TERMS, BUT DOES NOT DELVE INTO SPECIFIC SUGGESTIONS ON ADMINISTRATIVE ARRANGEMENTS.

6. COMMENT: MOELLER GROUP'S RECOMMENDATION ON DEVELOPMENT BOARD AND ITS PLACE IN GOE STRUCTURE STRIKES US AS RATHER UNEXPECTED (ALTHOUGH DESIRABLE), WHICH IS NOT VERY LIKELY TO BE ADOPTED BY SADAT. MAIN REPORT ALMOST CERTAINLY CONTAINS BODY OF INFORMATION POTENTIALLY USEFUL TO GOE AND OF INTEREST TO US, HOWEVER. AS BEING REPORTED SEPTEL, DR. BILLERBECK WILL BE IN WASHINGTON AT IBRD FOR SIX MONTHS BEGINNING NOVEMBER 1. UTILITY IN ELABORATING THROUGH HIM DETAILS OF GERMAN GROUP'S FINDINGS SHOULD BE CONSIDERABLE. EILTS

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